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C O N F I D E N T I A L SECTION 01 OF 02 MONROVIA 000591

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TREASURY FOR RICHARD HALL

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TAGS: [EFIN](#) [ECON](#) [PGOV](#) [PREL](#) [EAID](#) [LI](#)
SUBJECT: LIBERIA: THE BUDGET, LEGISLATORS, MOF, AND GEMAP,

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11. (C) Summary: Director General of the Bureau of the Budget (BOB), Augustine Ngafuan, expects the budget to pass this week assuming the full House accepts decisions made by the relevant legislative committees. If it does not pass this week, the GOL will be "in a state of crisis." He shared concerns about plans to merge BOB into the Ministry of Finance (MOF), noting MOF has not made the operational changes necessary for a smooth integration. He called for closing the gap between the executive and the legislative (and judiciary) branch, despite "integrity issues" in the legislature. Regarding the post-GEMAP transition at BOB, he thought year three could see gradual easing of the co-signatory authority to a system where decisions are made autonomously and then checked by the GEMAP advisor. He identified the Ministries of Health and Defense as having the most effective budget operations, and the Ministries of Public Works, Education, and Internal Affairs as the worst. End summary.

Budget approval this week?

12. (SBU) Econoff and Econ Assistant met July 29 with Augustine Ngafuan at the Bureau of the Budget for his views on pending issues. Ngafuan (along with Acting Minister of Finance Mawolo) has been the GOL's point person at the legislature presenting the draft budget. He said they are nearing agreement in committee on priorities and appropriated amounts, but he hopes members of the full house will understand and not derail the negotiated draft. (Comment: This is extremely optimistic. But possible. End comment.) He also expressed concern that the ongoing controversy about investment incentives might reduce focus on the budget. He noted one budget meeting had already been cancelled, last Thursday, while the House passed the "no confidence" vote against the Chair of the National Investment Commission (septel).

13. (SBU) He said if the budget doesn't pass before the end of the month the GOL will be in a state of crisis. (Note: The Liberian fiscal year started July 1. The budget was submitted to the legislature in mid May and there is no provision equivalent to our continuing resolution. End note.) BOB, like most other GOL institutions, is already rationing fuel (the generator is shut off at 11 am every day) and is running out of other supplies. Although July civil service salaries are not yet, technically, late, the Sirleaf administration had made great strides in paying people by mid-month.

Merger of BOB and MOF

¶4. (C) Ngafuan was frank in his concerns about plans to merge BOB into the Ministry of Finance. Characterizing it as "a sticky issue," he said "we have to deal with a lot of issues at MOF first, before a merger" in order to avoid bottlenecks.

One concern is the perception that a clean and transparent institution -- BOB-- would be merging with one that is held in less esteem by the public. He also expressed concern that with revenue, expenditure and accounting functions already concentrated at MOF, the BOB provides the only counterweight in the budgeting process.

How to fix the Ministry of Finance

¶5. (SBU) When asked what is needed at MOF to improve its reputation, he had specific proposals:

-- Overhaul the expenditure process. Remove red tape and rent-seeking opportunities. MOF should conduct a microscopic analysis of processes, a full operational survey on how to reduce the number of signatures and improve the quality of reports. Bank records are not reliably reconciled with MOF records.

-- Improve relations with the Auditor General. It is "embarrassing" that simple requests for statements have not been honored. (Note: Post's previous discussions with the Auditor General have identified MOF's Deputy Minister For Expenditure as the source of the obstruction at MOF. End note.)

-- Reform the opaque payroll process.

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-- Overhaul the revenue process. Rotate revenue officers such as customs agents who have "built an empire." There are many complaints about customs, the port and other revenue agencies. There should be consideration given to removing revenue functions from the Ministry of Finance entirely.

¶6. (C) More generally, Ngafuan said he would have expected more intra-governmental consultation before the GOL agreed on benchmarks with the IMF. He said it is important for the executive branch in general, but MOF in particular, to close the gap with the legislators. Despite their "integrity issues," he said, "it's the legislature we have; we have to deal with it." He thinks it would be helpful to include representatives from the legislature (and the judiciary) in the Poverty Reduction Strategy (PRS) pillar meetings. He felt the absence of legislative and judiciary representatives in Berlin left a gap, and said they consider the PRS an imposition of the executive branch.

BOB transition to post-GEMAP

¶7. (SBU) Ngafuan identified capacity building as the most important challenge facing BOB. He said there has been tremendous progress, but eventually locals will need to be given more responsibility. Although he has never considered GEMAP's co-signatory provision intrusive, it may be time, in year three of GEMAP, to transition to a system whereby decisions are checked after the fact.

¶8. (SBU) The budgeting process needs to take a wider policy perspective, with program budgeting, more performance focus, and mid-term forecasts. Budgeting capacity at all the ministries and agencies needs to be strengthened; the quality of information is still lacking. They have had assistance in improving budget classification but could use more refinement in expenditure codes. There is, he said, no government-wide accounting standard. Although the revenue code calls for accrual accounting, "that's a fantasy" -- still far away. But they should still standardize BOB, MOF, the Auditor General and the rest of the government.

19. (SBU) When asked, he said the Ministry of Health has the most robust budget operation, followed by the Ministry of Defense, which had USG assistance. The worst agency is the Ministry of Public Works, followed by the Ministry of Education. He said Education is of particular concern because it is the biggest, employing half the civil service. The Ministry of Internal Affairs (MIA) has serious budget problems, especially at the county level. MIA is responsible for central government payments to the counties and, he said, most GOL problems with the legislature arise from concerns about how MIA's inefficient and non-transparent handling of funds affects their constituents.

ROBINSON